## THE ANTI

The Anti is a pullback variation, distinguished by its position in the overall market structure. Most pullbacks come in established trends or following strong momentum moves that could lead to an extended trend. The Anti comes after a potential trend change and is an attempt to enter a new trend early in its formation. Risk management and correct profit-taking plans are important for correct management of this trade.

### Anti 1


**FIGURE 10.29** A Parabolic Expansion Sets Up a Sell Anti in First Majestic Silver Corporation (NYSE: AG)

### Setup

A: Though not as dramatic as Figures 10.27 and 10.28, the chart in Figure 10.29 shows a small buying climax in AG. Note the multiple free bars, range expansion (large bars relative to prior history), and that this move is a radical departure from the previous trending history visible on this chart.

B: After a small consolidation, prices retreat from the highs in a very sharp sell-off. This sell-off is strong evidence of a change of character and suggests that the

dominant group, the buyers, have at least temporarily lost control of this market. At this point, there is a much lower probability of the uptrend continuing, though markets will sometimes be able to absorb a shock like this and to continue.

### Entry

C: The final nail in the coffin for the uptrend was the reluctant bounce here. Had the buyers been able to regain control, this move would have been much sharper and much cleaner and the stock would have quickly traded to new highs. This slow bounce is the Anti pattern, and is more likely to be a pullback preceding another leg down. The actual entry, in this case, was on a breakdown of the previous bar's low. This entry would have been justifiable on the bar marked C, but it did not trigger.

**Stop** There are two possibilities for stop location, both shown on this chart. A near stop could be placed just above the extreme of the setup bounce, while the farther stop should be above the high of the trend. There is no point putting a stop in between as there is no compensation, in the form of higher probability, for the larger loss.

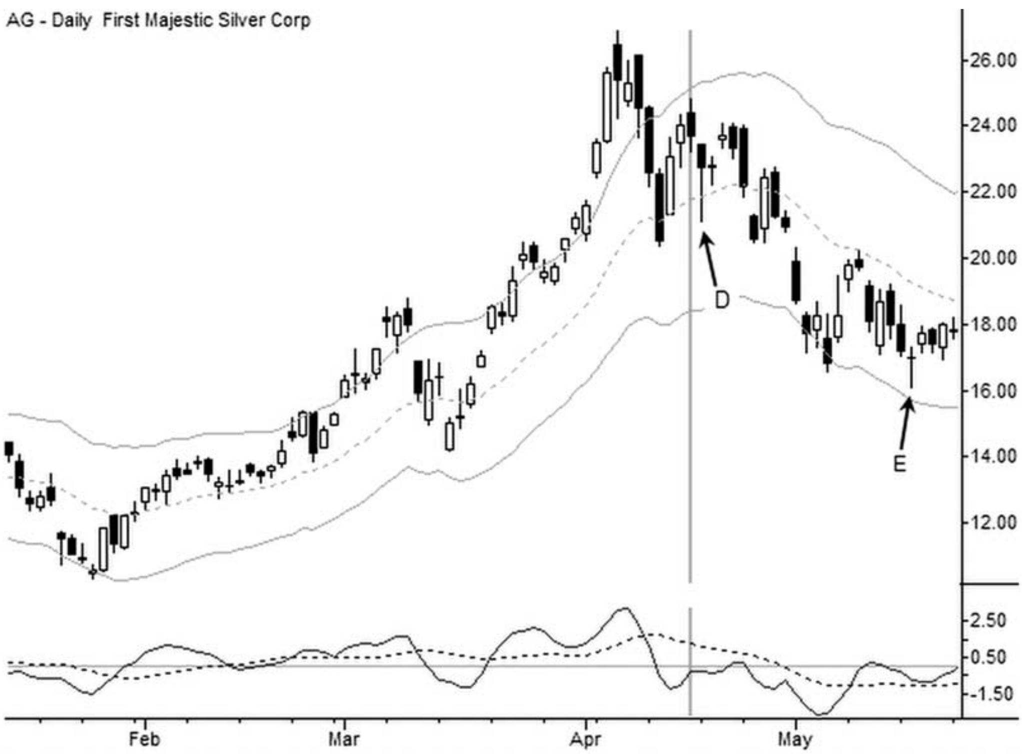


**FIGURE 10.30** A Successful Sell Anti

D: Though the stock recovered to close above the midpoint of the session, this strong down day in Figure 10.30 is confirmation that the balance of power has shifted, and should add confidence to the trade. Note also that, depending on the exact location of the entry and the stop, the first target may have been hit on this first downward bar.

Do not expect that every one of these will be a clean trade with no retracements. In this case, there were multiple small pauses as the market traded lower. Maintain the discipline of profit taking, and avoid the temptation to add to the trade unless another pattern, such as a nested pullback, sets up. In this case, the small failure test at E might have been motivation to exit any remaining short exposure.

## Anti 2

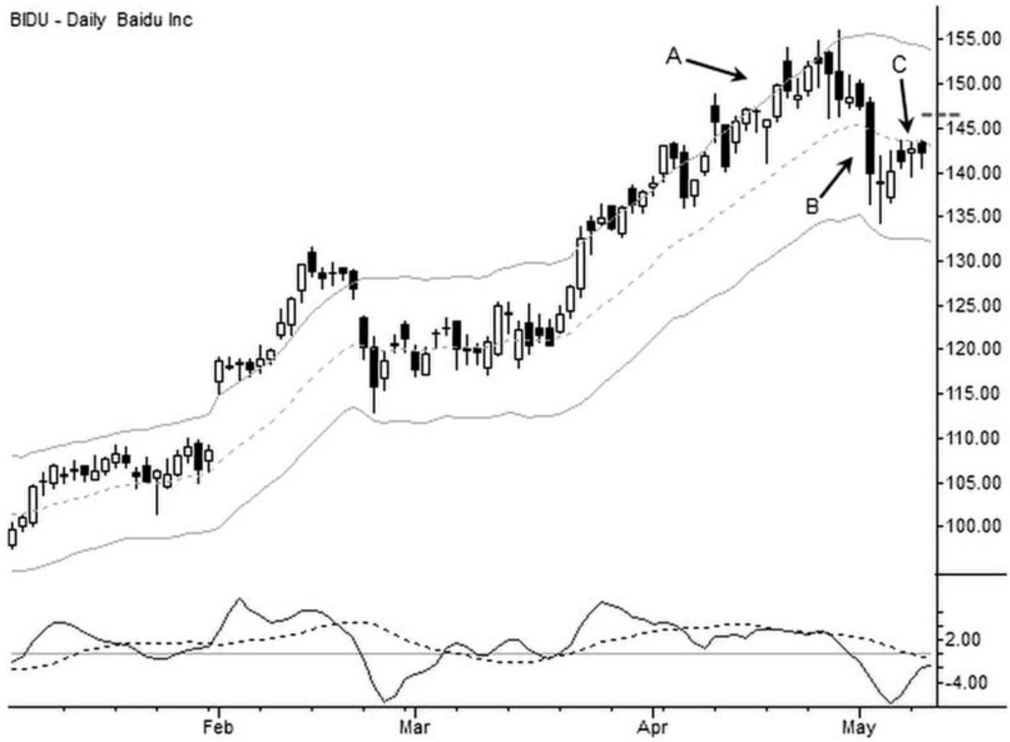


**FIGURE 10.31** A Sell Anti in Baidu Inc. (Nasdaq: BIDU)

### Setup

A: This “slide along the bands” trend in Figure 10.31 is a sign of a very strong though potentially overextended trend. Imagine the frustration that a trader attempting

to fade this pattern would have felt—without any clear risk points, the trend continued to grind higher, rolling over any attempted short entries.

B: In this case, a single large bar completely shifted the technical picture. This bar was out of character with the recent price action and carried price well through the moving average. Note that the MACD registered a significant new low, relative to its recent history, on this thrust.

## Entry

C: The actual entry would have been somewhere around C or the bars following, executing the plan of shorting intraday breakdowns or perhaps simply shorting below the previous day's low.

**Stop** Only the near stop is shown in this example, though a much farther stop, above the extreme of the trend high, is also possible.


**FIGURE 10.32** A Clean, Sharp Breakdown out of a Sell Anti

D: Whether this bar in Figure 10.32 or a preceding bar was the entry, the initial target was probably hit on the bar following D. Book partial profits here, and lower the stop to reduce open risk in the trade.

E: Remember, the swing trader's job is to take one clean move out of the market. Though there was more downside over the next four to six weeks, most swing traders would have covered their position on the sharp reversal at E.

F: This is essentially a higher time frame pullback and is not strictly part of the Anti trade, though it is an example of how a lower time frame structure (the Anti) can set up an environment that is favorable to a larger pattern.

## Anti 3

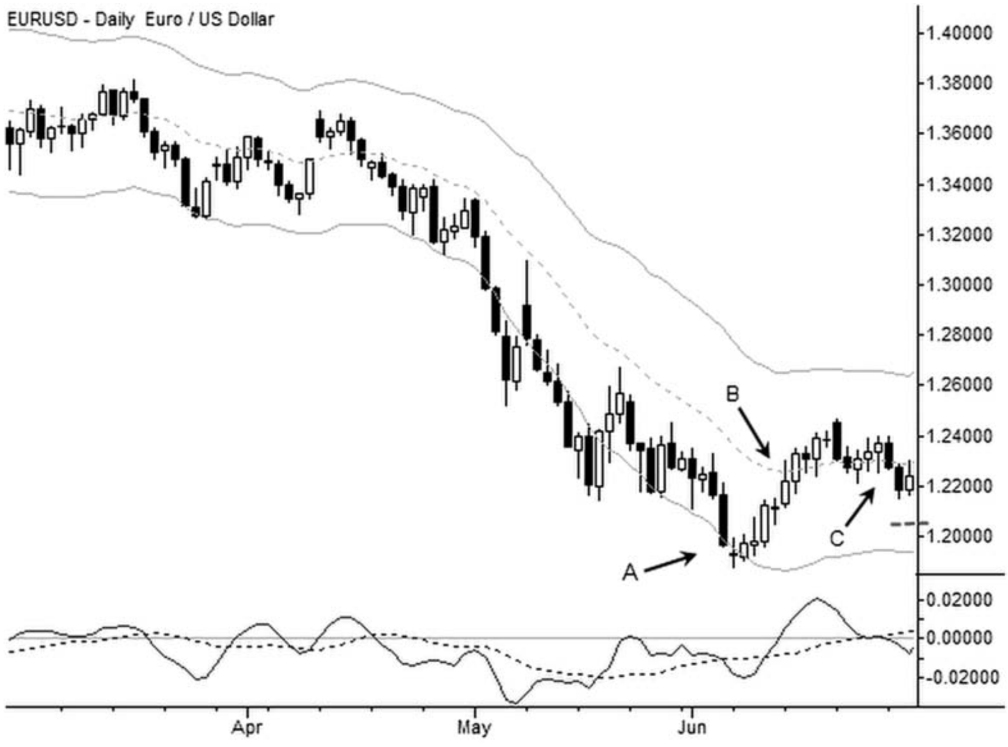


**FIGURE 10.33** A Buy Anti Setup in the EURUSD

### Setup

A: This downtrend in Figure 10.33 was perhaps not as dramatically overextended as the uptrends in the previous examples, but multiple tests below the lower band, followed by a last-gasp sell-off that quickly failed, were warnings of a possible overextension and of a trend that was primed for reversal.

B: The bounce at B is out of character with the preceding price movement. The upswing was longer than previous upswings, both in price and in time, and the MACD confirms with a new high.

## Entry

C: This is a small complex consolidation (two legs down, separated by a failed rally attempt) nested inside an Anti. An Anti is, in fact, basically a pullback—the distinguishing feature is its location in the trend. An entry could have been attempted near the right edge of the chart, against a stop somewhere above 1.20.


**FIGURE 10.34** A Strong Uptrend Develops off the Buy Anti

D: You have to pay attention with these entry setups, and cannot always wait until the end of the bar. In this case, if you missed the early entry on the previous day's breakout, it might have made sense to pass on the trade, rather than entering after such a large up day as D in Figure 10.34. However, this is a case in which the statistical tendencies for different asset classes matter. An individual stock or stock index might have been more set for a small reversal following day like D, but currencies do not show this tendency.

E: Though significant exposure should have been trimmed early, at lower profit targets, this small pullback is a justifiable second entry. Many traders will treat an entry like this as an entirely separate trade, perhaps continuing to hold part of the position from the Anti as well.

F: What is this? A potential setup for a sell Anti? In this case, the short trade following F would have been a marginal winner, but once again the message is clear: being able to read developing market structure and price action can give a great insight into trade management.

## Anti Failures

The Anti is a specific variant of the pullback trade, characterized by its location in the trend and the specific strong countertrend thrust setting up the pullback. Because it is a pullback, when the Anti pattern fails, it does so through the same patterns in which other pullbacks fail. This section shows three common Anti failures: failure through consolidation, failure near previous swing, and finally, failure by strong momentum against the attempted trend change.

### Failure Through Consolidation


**FIGURE 10.35** A Buy Anti Fails into Consolidation in YGE

This point cannot be overemphasized: every edge any of these patterns has comes from an imbalance of buying and selling pressure. When a trade is entered, prices should quickly move from the entry price; if the market is able to trade around the entry price, this is more suggestive of balance between buyers and sellers. In this environment, technical patterns have no edge.

Figure 10.35 shows a buy Anti in Yingli Green Energy Holding Company Ltd (NYSE: YGE) at A. This was not an excellent example of an Anti because the preceding setup leg, the upswing, was only two bars and did not show a strong change of character. Not every pattern is textbook clear, and, though it may be counterintuitive, it is not necessarily true that better patterns have a higher expectancy.

In this case, after a long entry somewhere around A, the stock simply went dead and quiet. This is not what should have happened—if there were trapped shorts nervous about their positions, they should have covered aggressively and this buying pressure should have caused a sharp up move in the stock. When prices move contrary to what should be happening in a trade, it is time to adjust the trade: reduce exposure, tighten stops, or exit the trade completely.

### Failure Near Previous Swing

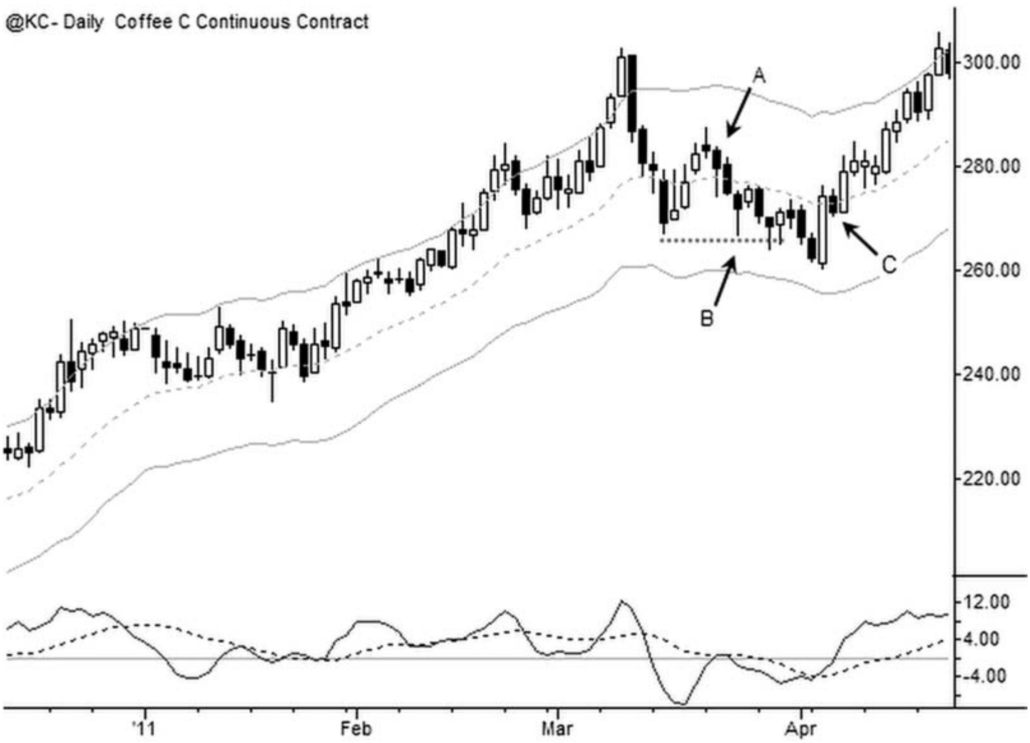


**FIGURE 10.36** A Sell Anti Finds Support at Previous Swing

Figure 10.36 shows a good sell Anti in Coffee futures. After a parabolic climax, a sharp downdraft, and slow bounce, a short position could have been entered somewhere around A. Remember that in any pullback trade, the first, most conservative, target is the extreme of the move setting up the pullback. In this case, the market was clearly having trouble getting through this target at B. Depending on the exact entry point and stop location, point B may have already been beyond the first profit target. If not, it would have been prudent to reduce risk somewhere in the bars following the failure to trade below the previous swing at B.

Eventually, Coffee was able to slip below this support and appeared to be set to trade lower. However, a sharp failure at C swept price back above support. It might have been justifiable to hold a partial position through this large up day, especially if partial profits had already been booked, but there is no reason to endure any more pain following C. This small bar, consolidating at the high of the move back above support, is a lower time frame consolidation and a strong indication that prices are headed higher in the near term. Always respect the message of developing market structure.

## Failure by Strong Momentum Against

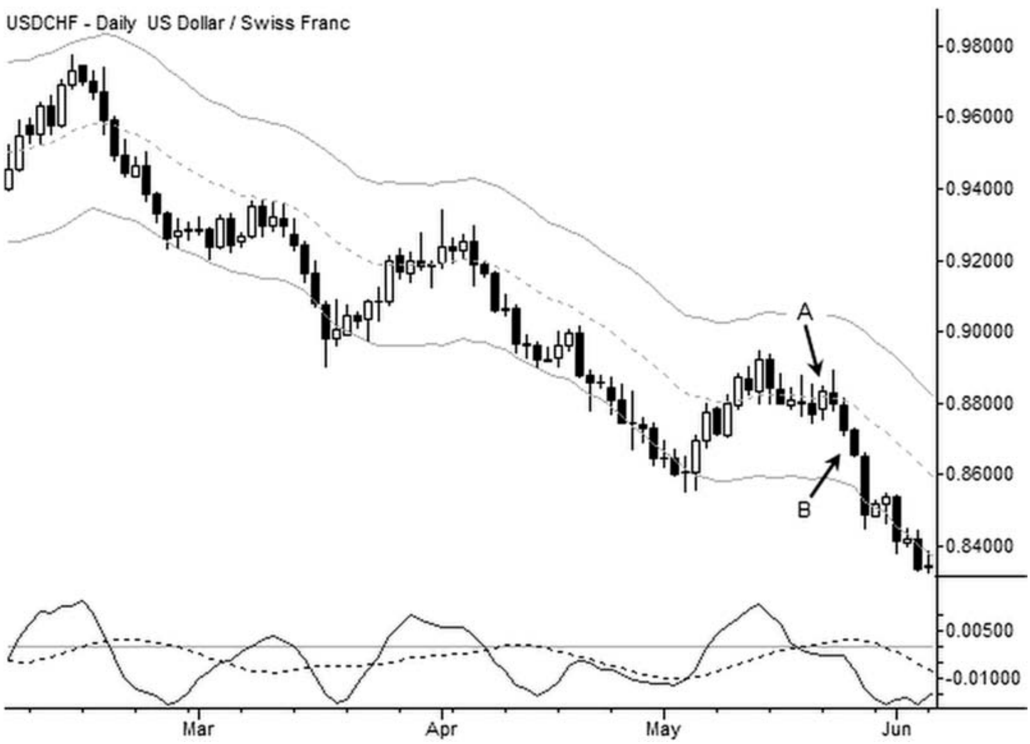


**FIGURE 10.37** A Buy Anti Fails with Strong Momentum

The preceding failures may or may not be actual failures. The pattern did not carry through as expected and there were no further trend legs, but in many cases like those it will be possible to take profits at the first target. Once these profits are booked and risk is reduced, it becomes very likely that the trade will be breakeven at worst. However, not all Anti failures are this polite; Figure 10.37 shows an example of a failure that would likely have resulted in a full-sized loss on the trade.

After a protracted downtrend, the USDCHF bounced and set up a potential buy Anti. (Again, this is not a perfect example of a buy setup, as the setup leg did not display a strong change of character.) Long positions entered at A would have likely suffered full losses as the market turned back down and traded through stops around B. Further stops, located beyond the trend low, would also have been quickly hit in the ensuing downswing.

Though the Anti is a powerful pattern that sets up excellent trades, there are also some dramatic failures. There are even cases, not shown here, in which the market gaps dramatically against the position on the next open, resulting in a loss beyond the initial risk point. Do not focus only on positive outcomes. When you enter a trade, your attention should be on potential failures and on signs that the pattern can be failing. Failed patterns can often be more powerful than successful trades, and patterns often fail through other tradable patterns. Revisit the failure in Figure 10.35; is this a complex pullback? These patterns are far more than mere trade setups or entry triggers—they are a complete methodology for understanding market movements.

### Conclusions

At first glance, the Anti might appear to be nothing more than a pullback—the market makes a sharp move, and, after a pause, another move in the same direction. However, the distinguishing factor is the location in the market structure, which allows traders to position near the end of one trend and the potential beginning of another; if the trade is correct, it will benefit from trapped traders scrambling to adjust their positions into the new trend. This pattern, with its precisely defined entry and risk points, is a powerful tool to play inflections and turning points in trends.

## TRADING AT SUPPORT AND RESISTANCE

Trades made at support and resistance are plays for those levels either breaking or holding. To further simplify, breakouts are trades *through* support or resistance levels, while failed breakouts are trades that indicate the level is more likely to hold. Note that there is some potential overlap here: a failure test is a failed breakout, but it is usually a question of time frames. A failure test on the trading time frame will usually show one of the following section's failed breakout patterns on lower time frames. A good understanding of the ways in which breakout patterns unfold can add a valuable piece to the trader's analytical tool kit.